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Message Text

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---------- 126935
O R 122332Z SEP 74
FM SECSTATE WASHDC
TO AMEMBASSY REYKJAVIK IMMEDIATE
INFO COMICEDEFOR
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CINCLANT

C O N F I D E N T I A L STATE 201415

EXDIS

E.O. 11652: XGDS - 1
TAGS: PFOR, MARR, IC, NATO
SUBJECT: IDF RETENTION NEGOTIATIONS
REF: REYKJAVIK 1238
MILITARY ADDRESSEES HANDLE AS SPECAT EXCLUSIVE
1. SISCO-AGUSTSSON NEGOTIATING SESSION SCHEDULED FOR SEPT.
26. WE EXPECT SESSION TO ACHIEVE ACCEPTANCE AD REFERENDUM
OF EXCHANGE OF NOTES AND ACCOMPANYING DOCUMENT, WHICH WILL
CONSTITUTE COMPLETION OF REVIEW UNDER ARTICLE VII OF THE
DEFENSE AGREEMENT OF 1951. REVISED TEXTS OF DRAFT NOTE AND
ACCOMPANYING DOCUMENT (THE LATTER ENTITLED QUOTE MEMORANDUM
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OF UNDERSTANDING UNQUOTE) TRANSMITTED SEPTEL TO REPLACE
EARLIER VERSIONS HANDED FOREIGN OFFICE.

2. SEPT. 26 NEGOTIATING SESSION WILL FOLLOW SCENARIO BASED

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ON PRIOR SUBSTANTIAL AGREEMENT DEVELOPED BETWEEN YOURSELF AND APPROPRIATE ICELANDIC OFFICIALS, PRESUMABLY MINISTER AGUSTSSON AND HANS ANDERSEN, REFERRED TO COLLECTIVELY HEREINAFTER AS GOI.

3. WE ANTICIPATE THAT YOUR DISCUSSIONS WILL INCLUDE PERSONNEL REDUCTIONS WITH REPLACEMENT BY QUALIFIED ICELANDERS AS THEY BECOME AVAILABLE; ON-BASE HOUSING; SEPARATION OF CIVIL AND MILITARY FUNCTIONS AT THE BASE; RELAXATION OF RESTRICTIONS ON OFF-DUTY MOVEMENTS AND OTHER CONTROLS ON BASE PERSONNEL; FLEXIBILITY IN ADJUSTMENTS OF US AND ICELANDIC PERSONNEL LEVELS WITHIN AGREED UPPER LIMITS; AND PROHIBITION OF STRIKES BY ICELANDIC BASE PERSONNEL.

4. REDUCTION OF MILITARY PERSONNEL. GOI HAS INDICATED TO YOU THAT A REDUCTION OF 420 MILITARY PERSONNEL, AS QUALIFIED ICELANDERS BECOME AVAILABLE AS REPLACEMENTS, WOULD BE ACCEPTABLE. YOU SHOULD STICK TO THAT FIGURE. THIS REDUCTION CAN BE CARRIED OUT WITHOUT DEGRADING THE OPERATIONAL EFFECTIVENESS OF THE IDF. YOU MAY ASSURE GOI THAT REDUCTION WILL BE MADE ONLY AS QUALIFIED ICELANDERS BECOME AVAILABLE, WHICH IN EFFECT LEAVES TIMING IN HANDS OF GOI. QUOTE QUALIFIED UNQUOTE SHOULD BE EMPHASIZED. A SIMPLIFIED TABULATION OF 420 IS AS FOLLOWS:

ACTIVITY	MIL. PERS. REDUCED	ICELANDERS SUBS.
NAVAL STATION KEFLAVIK	283	314
H-1,H-3 RADAR SITES	59	48
GRINDAVIK TRANSMITTER	56	45
COAST GUARD LORAN C	10	10(SEE NOTE)
FLEET WEATHER FACILITY	12	--
TOTAL	420	417

(NOTE: ONE POSITION ALREADY SUBSTITUTED.)

5. HOUSING. YOU MAY INFORM GOI THAT ASSUMING REDUCTIONS, WE SHALL UNDERTAKE TO SEEK APPROPRIATIONS FOR HOUSING CONSTRUCTION IN FY 75, 76 AND 77, WITH THE ULTIMATE OBJECTIVE OF PROVIDING ON-BASE HOUSING FOR ALL MILITARY PERSONNEL. WE ANTICIPATE REQUIREMENTS FOR 468 ADDITIONAL HOUSING

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UNITS. A 150-UNIT PROGRAM FOR FY 74 WAS DROPPED BECAUSE OF CONGRESSIONAL STRICTURES ON CONSTRUCTION WITHOUT EVIDENCE OF ICELANDIC SUPPORT OF TENURE. 200 UNITS ARE IN FY 75 BUDGET REQUEST. STRETCH-OUT OF PROGRAM OVER 3 FISCAL YEARS IS RELATED TO CAPACITY OF ICELANDIC PRIME CONTRACTOR.

6. SEPARATION OF FUNCTIONS. THIS LOOKS LIKE THE MOST CONTENTIOUS ISSUE. YOU MAY INFORM GOI THAT WE STAND READY TO HONOR THE COMMITMENT MADE IN THE OCTOBER 1973 NEGOTIATING SESSION TO UNDERTAKE CERTAIN PHYSICAL CHANGES WHICH WOULD RESULT IN ACCESS TO THE BASE BY AMERICAN PERSONNEL WITHOUT AFFECTING ICELANDIC ACCESS TO THE TERMINAL. THIS CAN BE ACCOMPLISHED BY APPROPRIATE FENCING AND THE CONSTRUCTION OF

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AN ADDITIONAL ROAD TO THE PRESENT TERMINAL AND AN OVERPASS. A BUDGET REQUEST OF DOLS 1.8 MILLION FOR THIS PURPOSE IS BEFORE THE CONGRESS. SHOULD THE GOI WISH, WE WOULD BE PREPARED TO COMMENCE CONSTRUCTION BY JULY, 1975. HOWEVER, WE NOTE FROM SEVERAL REYKJAVIK TELEGRAMS REPORTING YOUR CONVERSATION WITH HALLGRIMSSON AND OTHERS THAT THE GOI IS NOT EXPECTED TO ACCEPT THIS SOLUTION AND ENTERTAINS THE HOPE THAT WE WILL UNDERTAKE JOINT FINANCING OF A NEW CIVIL TERMINAL COMPLEX. IT WOULD BE PREFERABLE FROM THE USG STANDPOINT TO OBTAIN THE LEAST EXPENSIVE (I.E., DOLS 1.8 MILLION) SOLUTION. HOWEVER, SHOULD YOU ENCOUNTER HEAVY RESISTANCE, THREATENING THE SUCCESS OF THE NEGOTIATIONS, YOU MAY INFORM THE GOI THAT WE AGREE THAT THE ACCESS ROAD APPEARS TO BE ONLY A TEMPORARY SOLUTION, AND THAT WE ARE PREPARED TO SEEK FUNDS FOR THE US SHARE OF A JOINTLY-FINANCED SEPARATE CIVIL TERMINAL COMPLEX. YOU SHOULD EMPHASIZE THE WORD COMPLEX, SINCE THERE WOULD BE NO MILITARY JUSTIFICATION FOR A REQUEST TO CONGRESS FOR FUNDS FOR THE CONSTRUCTION OF A CIVILIAN TERMINAL BUILDING PER SE. IF NECESSARY, YOU SHOULD ATTEMPT TO DISABUSE THE GOI OF THE VIEW THAT WE ARE UNDER ANY OBLIGATION TO FUND A TERMINAL BUILDING.

7. US CONTRIBUTION.
A) SPECIFICALLY, SUBJECT TO CONGRESSIONAL APPROVAL, OUR CONTRIBUTION TO A JOINTLY FINANCED COMPLEX COULD BE AS FOLLOWS (COST FIGURES ARE ONLY ILLUSTRATIVE):
TAXIWAYS AND RAMP DOLS. 1,770,000
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ROADS, INCLUDING ACCESS ROAD 2,500,000
REHABILITATION OF REFUELING SYSTEM 1,500,000
TOTAL DOLS 5,770,000

B) WITH RESPECT TO THE TERMINAL BUILDING ITSELF, YOU SHOULD SUGGEST THAT THE STUDY MADE BY A FRENCH FIRM IN 1972 APPEARS TO HAVE BEEN BASED ON INFLATED PASSENGER LOAD PROJECTIONS. A MORE MODEST BUILDING WOULD PROBABLY BE SUITABLE, PARTICULARLY IF OF AN EXPANDABLE MODULAR DESIGN. DOD CAN FURNISH DRAWINGS AND ENGINEERING STUDIES OF THIS TYPE OF TERMINAL FOR GOI CONSIDERATION. THE EXIM BANK WOULD ENTERTAIN A REQUEST FOR A LOAN ON TERMS PREVAILING FOR EXIM CREDITS THROUGHOUT THE WORLD FOR A PORTION OF THE US-ORIGIN COMPONENTS OF A TERMINAL. YOU SHOULD QUALIFY THE OFFER WITH THE OBSERVATION THAT OF COURSE EXIM HAS NOT HAD THE OPPORTUNITY TO BECOME ACQUAINTED WITH THE PROJECT AND IS THEREFORE NOT YET IN A POSITION TO APPRAISE IT. SHOULD GOI WISH A STUDY OF A MODULAR TERMINAL BY A US ENGINEERING FIRM, EXIM WOULD ALSO CONSIDER FINANCING FOR SUCH A STUDY.
C) WHILE NOT DIRECTLY RELATED TO A NEW TERMINAL COMPLEX, GOI MIGHT FIND INTERESTING A PROPOSAL THAT THE KEFLAVIK

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BASE PURCHASE GEOTHERMAL HEAT AT AN ANNUAL RATE WHICH WOULD GIVE THE GOI A SUBSTANTIAL RETURN ON ITS INVESTMENT IN THE INSTALLATION REQUIRED.
D) THIS IS AS FAR AS YOU SHOULD GO IN YOUR INITIAL ROUNDS WITH GOI. WE HOPE THE PACKAGE WILL BE SUFFICIENTLY ATTRACTIVE TO INDUCE AGREEMENT TO THE EXCHANGE OF NOTES AND MOU. HOWEVER, WE REALIZE THAT GOI MAY BE SO COMMITTED TO THE EXPECTATION OF A MUCH MORE SUBSTANTIAL CONTRIBUTION TO JOINT FINANCING OF A CIVIL TERMINAL COMPLEX THAT A SUCCESSFUL CONCLUSION OF NEGOTIATIONS CAN ONLY BE ACHIEVED BY INCREASING THE EXTENT OF US PARTICIPATION. IF IN YOUR JUDGMENT, AFTER AN APPROPRIATE INTERVAL TO TEST GOI REACTION TO YOUR INITIAL PROPOSAL, YOU BELIEVE AN ADDITIONAL BARGAINING CHIP IS NECESSARY, YOU MAY INFORM GOI THAT WE ARE PREPARED TO SEEK FUNDS FOR A TEN-YEAR PROGRAM OF IMPROVEMENT TO UPGRADE THE AIRFIELD TO MEET FAA STANDARDS FOR CATEGORY II FLIGHT OPERATIONS, AT A TOTAL COST OF APPROXIMATELY DOLS 10 MILLION. COMICEDEFOR CAN SUPPLY DETAILS.
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8. RESTRICTIONS ON BASE PERSONNEL. WE ARE AWARE THAT THE ISSUE OF RESTRICTIONS ON BASE PERSONNEL CAN PROVOKE AN EMOTIONAL RESPONSE FROM SENIOR ICELANDIC OFFICIALS AND THEREFORE WARRANTS A CAREFUL APPROACH. WE DO NOT SEEK AT THIS TIME ANY SPECIFIC ICELANDIC COMMITMENT ON MATTERS OF DETAIL, BUT WE DO WISH TO OBTAIN A COMMITMENT TO THE GENERAL PRINCIPLE THAT ADMINISTRATIVE ARRANGEMENTS WILL BE KEPT UNDER CONTINUOUS REVIEW (I.E., IN THE DEFENSE COUNCIL) WITH THE OBJECTIVE OF IMPROVING THE LIVING CONDITIONS OF BASE PERSONNEL. A PARAGRAPH HAS BEEN ADDED TO THE DRAFT MOU (SEPTEL) WHICH WOULD CONSTITUTE SUCH A COMMITMENT. AN ILLUSTRATIVE LIST OF THE IMPROVEMENTS SOUGHT FOLLOWS BY SEPTEL, TOGETHER WITH ARGUMENTS IN SUPPORT OF THE VIEW THAT THE CHANGED CONDITIONS OF THE MID-1970'S SHOULD MAKE IT DESIRABLE TO RELAX RESTRICTIONS IMPOSED DURING THE EARLY 1950'S.

9. FLEXIBILITY IN ADJUSTING PERSONNEL LEVELS. BUDGET RESTRAINTS OR REVISED ASSESSMENT OF DEFENSE REQUIREMENTS MAY IN THE FUTURE DICTATE REDUCTIONS IN EITHER US OR ICELANDIC PERSONNEL BELOW LEVELS UNDER DISCUSSION. WE WISH TO MAINTAIN FLEXIBILITY TO CARRY OUT SUCH CHANGES, AND A SENTENCE HAS BEEN ADDED TO THE DRAFT MOU TO INSURE THAT GOI ACCEPTS THIS FLEXIBILITY. PROVISIONS OF ICELANDIC LAW GOVERNING THE RELEASE OF ICELANDIC PERSONNEL WOULD OF COURSE CONTINUE TO BE OBSERVED.

10. PROHIBITION OF STRIKES. THE EMPLOYMENT OF ICELANDIC PERSONNEL IN THE NUMBERS AND CATEGORIES ENVISIONED IN THE AGREEMENT WILL MAKE US UNACCEPTABLY VULNERABLE TO STRIKE ACTIVITY, WHICH COULD SERIOUSLY AFFECT THE READINESS

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POSTURE OF THE IDF. YOU SHOULD DISCUSS WITH GOI THE MANNER OF OBTAINING AN UNDERTAKING THAT THE PROVISIONS OF ICELANDIC LAW RELATING TO THE PROHIBITION OF STRIKES BY CIVIL SERVANTS WOULD APPLY TO ICELANDIC CIVILIANS PERFORMING DEFENSE FORCE FUNCTIONS. WE HAVE AVOIDED INCLUSION OF THIS ELEMENT IN THE DRAFT NOTE OR MOU TEXTS, SINCE IT MIGHT HAVE DIFFICULT POLITICAL OVERTONES IN A SUBMISSION TO THE ALTHING. AN ORAL UNDERTAKING DURING THE NEGOTIATING SESSION--ALONG THE LINES OF A STATEMENT OF INTERPRETATION
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OF LAW--WOULD BE AN ACCEPTABLE SOLUTION.

11. WHILE THE FINAL SCENARIO FOR THE SEPT. 26 SESSION CAN ONLY BE DEVELOPED FOLLOWING YOUR DISCUSSION WITH GOI, YOU WILL RECEIVE A SUGGESTED DRAFT OUTLINE BY CABLE SHORTLY. MEANWHILE YOU MAY ASSURE AGUSTSSON THAT WE CONSIDER THE UPCOMING SESSION AS PART OF A CONTINUOUS NEGOTIATING PROCESS WHICH WOULD NOT HAVE BEEN POSSIBLE WITHOUT THE SOUND GROUNDWORK LAID BY HIM AND THE US NEGOTIATORS IN PREVIOUS SESSIONS. THE SCENARIO WILL INCLUDE AN ORAL RESPONSE TO HIS APRIL PROPOSALS. KISSINGER

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